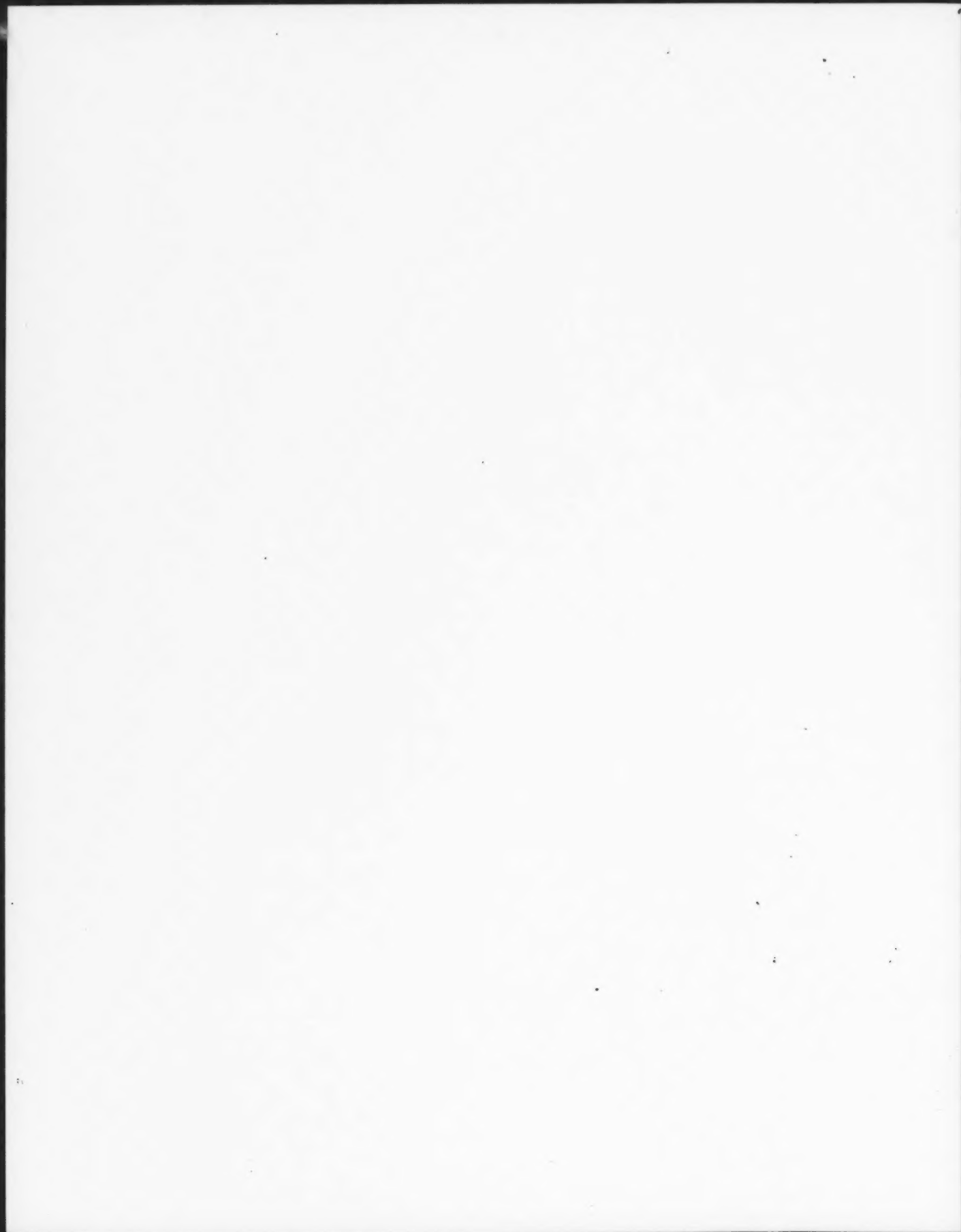




Financial Statements of

**SASKATCHEWAN
AGRICULTURAL
STABILIZATION FUND**

Year ended March 31, 2005





106-04480/

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Agricultural Stabilization Fund as at March 31, 2005 and the statements of operations and changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada
September 22, 2005

SASKATCHEWAN AGRICULTURAL STABILIZATION FUND

Statement of Financial Position
As at March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program		Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
FINANCIAL ASSETS														
Cash	\$ 55,827	\$ 53,686	\$ —	\$ —	\$ 44,660	\$ 82,132	\$ 851,999	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 952,486	\$ 135,818
Due from Province of Saskatchewan														
- General Revenue Fund (note 3)	133,630	—	6,339,828	8,903,205	568,224	124,886	8,244,000	20,150,601	15,880,868	8,690,880	—	—	31,166,550	37,869,572
Due from the Waterfowl Damage Compensation Program	—	—	—	—	—	70,229	—	—	—	—	—	—	—	70,229
Due from Government of Canada	257,204	254,284	—	—	981,541	577,329	—	—	4,225,521	21,857,713	—	—	5,464,266	22,689,326
Accrued interest and other receivables	2,112	17,211	43,833	388,921	23,034	20,151	—	—	—	—	1,428	313	70,407	426,596
	<u>\$ 448,773</u>	<u>\$ 325,181</u>	<u>\$ 6,383,661</u>	<u>\$ 9,292,126</u>	<u>\$ 1,617,459</u>	<u>\$ 874,727</u>	<u>\$ 9,095,999</u>	<u>\$ 20,150,601</u>	<u>\$ 20,106,389</u>	<u>\$ 30,548,593</u>	<u>\$ 1,428</u>	<u>\$ 313</u>	<u>\$ 37,653,709</u>	<u>\$ 61,191,541</u>
LIABILITIES														
Accounts payable and accrued liabilities	—	—	197,107	—	855	855	—	—	—	—	—	—	197,962	855
Grants payable	—	—	—	—	—	—	—	—	1,079,106	26,472,372	—	—	1,079,106	26,472,372
Indemnities payable	320,125	—	—	—	1,432,642	355,618	—	—	—	—	—	—	1,752,767	355,618
Due to the Big Game Damage Compensation Program	—	70,229	—	—	—	—	—	—	—	—	—	—	—	70,229
Due to the Saskatchewan Crop Insurance Corporation	128,648	244,474	—	—	183,962	420,210	—	—	—	—	—	—	312,610	664,684
Due to Province of Saskatchewan	—	10,478	—	—	—	98,044	—	—	—	—	—	—	—	108,522
Due to Government of Canada (note 4)	—	—	—	—	—	—	5,015,425	7,830,000	—	—	—	—	5,015,425	7,830,000
Deferred revenue	—	—	93,188	2,071,452	—	—	—	—	—	—	—	—	93,188	2,071,452
	<u>448,773</u>	<u>325,181</u>	<u>290,295</u>	<u>2,071,452</u>	<u>1,617,459</u>	<u>874,727</u>	<u>5,015,425</u>	<u>7,830,000</u>	<u>1,079,106</u>	<u>26,472,372</u>	<u>—</u>	<u>—</u>	<u>8,451,058</u>	<u>37,573,732</u>
NET FINANCIAL ASSETS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,093,366</u>	<u>\$ 7,220,674</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,080,574</u>	<u>\$ 12,320,601</u>	<u>\$ 19,027,283</u>	<u>\$ 4,076,221</u>	<u>\$ 1,428</u>	<u>\$ 313</u>	<u>\$ 29,202,651</u>	<u>\$ 23,617,809</u>

See accompanying notes to financial statements

SASKATCHEWAN AGRICULTURAL STABILIZATION FUND

Statement of Operations and Changes in Net Financial Assets
For the Year ended March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program		Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue														
Interest income	\$ 111	\$ 49,864	\$ 191,535	\$ 245,124	\$ 626	\$ 46,912	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,447	\$ 192,272	\$ 345,347
Province of Saskatchewan														
- General Revenue Fund grant programs	2,139,431	169,522	—	—	1,086,971	384,886	—	—	24,300,000	46,200,000	—	—	27,526,402	46,754,408
Government of Canada	3,208,617	6,902,879	1,978,264	—	1,584,359	5,350,285	—	5,000,000	24,520,698	29,546,011	—	—	31,291,928	56,799,175
	<u>5,348,159</u>	<u>7,122,265</u>	<u>2,169,799</u>	<u>245,124</u>	<u>2,671,956</u>	<u>5,782,083</u>	<u>—</u>	<u>5,000,000</u>	<u>48,820,698</u>	<u>85,746,011</u>	<u>—</u>	<u>3,447</u>	<u>59,010,612</u>	<u>103,898,930</u>
Expenses														
Indemnities	5,348,159	4,702,721	3,297,107	—	2,671,956	2,522,301	—	—	—	—	—	—	11,317,222	7,225,022
Grants to producers	—	—	—	—	—	—	—	—	33,869,636	81,669,790	(1,115)	(6,382)	33,868,521	81,663,408
Transfers to the Government of Canada	—	—	—	—	—	—	740,027	1,313,822	—	—	—	90,160	740,027	1,403,982
Transfers to the Government of Saskatchewan	—	—	—	—	—	—	—	—	—	—	—	38,640	—	38,640
	<u>5,348,159</u>	<u>4,702,721</u>	<u>3,297,107</u>	<u>—</u>	<u>2,671,956</u>	<u>2,522,301</u>	<u>740,027</u>	<u>1,313,822</u>	<u>33,869,636</u>	<u>81,669,790</u>	<u>(1,115)</u>	<u>122,418</u>	<u>45,925,770</u>	<u>90,331,052</u>
Excess (deficiency) of revenue over expenses for the year	—	2,419,544	(1,127,308)	245,124	—	3,259,782	(740,027)	3,686,178	14,951,062	4,076,221	1,115	(118,971)	13,084,842	13,567,878
Transfers to the Government of Saskatchewan (note 3)	—	—	—	—	—	—	(7,500,000)	—	—	—	—	—	(7,500,000)	—
Net financial assets (liabilities), beginning of year	—	(604,315)	7,220,674	6,975,550	—	(5,075,011)	12,320,601	8,634,423	4,076,221	—	313	119,284	23,617,809	10,049,931
Transfers between programs (note 5)	—	(1,815,229)	—	—	—	1,815,229	—	—	—	—	—	—	—	—
Net financial assets, end of year	—	—	6,093,366	7,220,674	—	—	4,080,574	12,320,601	19,027,283	4,076,221	1,428	313	29,202,651	23,617,809

See accompanying notes to financial statements

SASKATCHEWAN AGRICULTURAL STABILIZATION FUND

Statement of Cash Flows
For the Year ended March 31

	Waterfowl Damage Compensation Program		New Crops Insurance Program		Big Game Damage Compensation Program		AIDA-CFIP Program		Canada-Saskatchewan BSE Recovery Program		Canada-Saskatchewan Assistance Program (CSAP II)		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Cash Flows from (used in) operating activities:														
Cash receipts from the Government of Canada	\$ 3,205,697	\$ —	\$ —	\$ —	\$ 1,180,147	\$ 4,871,000	\$ —	\$ —	\$ 42,152,890	\$ 17,688,298	\$ —	\$ —	\$ 46,538,734	\$ 22,559,298
Cash receipts from the General Revenue Fund	2,005,801	7,180,000	—	—	643,653	260,000	—	—	39,500,000	46,200,000	—	—	42,149,434	53,640,000
Increase in funds held by the General Revenue Fund	133,630	—	—	—	443,338	124,886	—	—	—	—	—	—	576,968	124,886
Interest received	15,210	41,067	536,623	252,159	(2,257)	36,846	—	—	—	—	—	3,047	549,576	333,119
Cash paid to the Government of Canada	—	—	—	—	(98,044)	—	(3,554,602)	(62,331,051)	—	—	—	(90,160)	(3,652,646)	(62,421,211)
Cash paid to the Government of Saskatchewan	(10,478)	(7,000,000)	—	—	—	—	(7,500,000)	—	(15,200,000)	—	—	(38,640)	(22,710,478)	(7,038,640)
Cash received from (paid to) Saskatchewan Crop	(115,826)	—	197,107	—	(236,248)	—	—	—	—	—	—	—	(154,967)	—
Cash paid to Big Game Damage Compensation Program	(70,229)	—	—	—	—	—	—	—	—	—	—	—	(70,229)	—
Cash received from Waterfowl Damage Compensation	—	—	—	—	70,229	—	—	—	—	—	—	—	70,229	—
Cash received from (paid to) producers	(5,028,034)	(4,958,247)	(3,297,107)	—	(1,594,932)	(9,946,473)	—	—	(59,262,902)	(55,197,418)	—	6,763	(69,182,975)	(70,095,375)
Net increase (decrease) in cash and cash equivalents	135,771	(4,737,180)	(2,563,377)	252,159	405,866	(4,653,741)	(11,054,602)	(62,331,051)	7,189,988	8,690,880	—	(118,990)	(5,886,354)	(62,897,923)
Cash and cash equivalents at beginning of year	53,686	6,535,866	8,903,205	8,651,046	207,018	3,115,759	20,150,601	82,481,652	8,690,880	—	—	118,990	38,005,390	100,903,313
Transfers between programs (note 5)	—	(1,745,000)	—	—	—	1,745,000	—	—	—	—	—	—	—	—
Cash and cash equivalents at end of year	\$ 189,457	\$ 53,686	\$ 6,339,828	\$ 8,903,205	\$ 612,884	\$ 207,018	\$ 9,095,999	\$ 20,150,601	\$ 15,880,868	\$ 8,690,880	\$ —	\$ —	\$ 32,119,036	\$ 38,005,390
Cash and cash equivalents include:														
Cash	\$ 55,827	\$ 53,686	\$ —	\$ —	\$ 44,660	\$ 82,132	\$ 851,999	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 952,486	\$ 135,818
Due from the Province of Saskatchewan - General Revenue Fund	133,630	—	6,339,828	8,903,205	568,224	124,886	8,244,000	20,150,601	15,880,868	8,690,880	—	—	31,166,550	37,869,572
	\$ 189,457	\$ 53,686	\$ 6,339,828	\$ 8,903,205	\$ 612,884	\$ 207,018	\$ 9,095,999	\$ 20,150,601	\$ 15,880,868	\$ 8,690,880	\$ —	\$ —	\$ 32,119,036	\$ 38,005,390

See accompanying notes to financial statements

Saskatchewan Agricultural Stabilization Fund
Notes to the Financial Statements
As at March 31, 2005

1. Status of the Fund

The Saskatchewan Agricultural Stabilization Fund (the Fund) was established under *The Farm Financial Stability Act* (the Act).

The following programs exist within the Fund:

New Crops Insurance Program:

The New Crops Insurance Program was established in the 1996-97 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate the Corporation for insurance losses on new or developmental crops.

Big Game Damage Compensation Program:

The Big Game Damage Compensation Program was established in the 1996-97 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops and stacked hay resulting from damage caused by big game.

Waterfowl Damage Compensation Program:

The Waterfowl Damage Compensation Program was established in the 1997-98 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops resulting from damage caused by waterfowl.

Agricultural Income Disaster Assistance (AIDA) Program - Canadian Farm Income Program (CFIP):

The AIDA-CFIP Program was established in the 2001-02 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Department of Agriculture and Food. The purpose of the program is to facilitate the participation of Saskatchewan in a federal-provincial initiative, administered by the Federal Government, to assist producers facing a serious decline in their profit margins due to circumstances beyond their control.

The AIDA and CFIP programs are virtually the same in program specifications, qualification parameters and administration. The AIDA program was in place for producers' 1998 and 1999 claim year. The CFIP program was in place for producers' 2000, 2001, and 2002 claim years.

Canada-Saskatchewan BSE Recovery Program:

The Canada-Saskatchewan Bovine Spongiform Encephalopathy (BSE) Recovery Program was established in 2003-04 pursuant to Part IV of the Act and is administered by the Saskatchewan Department of Agriculture and Food. The purpose of the program is to provide assistance payments to producers and packers affected by the closure of the Canada-United States border to eligible livestock exports.

Canada-Saskatchewan Assistance Program (CSAP II):

The Canada-Saskatchewan Assistance Program was established in the 2001-02 fiscal year pursuant to Part IV of the Act and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to enhance or stabilize the incomes of Saskatchewan farmers.

In the event that these programs terminate, any remaining financial net assets must be returned to the Government of Saskatchewan's General Revenue Fund.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash, short-term investments with a maturity of 90 days or less, the Fund's bank accounts which are included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan (note 3) and all other amounts Due from the Province of Saskatchewan General Revenue Fund.

Revenue Recognition:

Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenses.

The Waterfowl and Big Game Damage Compensation programs are normally funded 60% by the Federal Government and 40% by the Provincial Government.

The Slaughter and the Packer Incentive, Cull Animal, Fed Cattle Set-Aside, and Feeder Calf Set-Aside elements of the BSE Recovery Program are funded 60% by the Federal Government and 40% by the Provincial Government. The Inventory Set-Aside, Other Ruminant Industry Transitional Element, and Fed Livestock Competitive Market Adjustment elements of the BSE Recovery Program are funded 100% by the Provincial Government.

The CSAP II was funded 70% by the Federal Government and 30% by the Provincial Government.

The New Crops Insurance program is funded 60% by the Federal Government and 40% by the Provincial Government.

The amount recognized as revenue from the Federal Government is a percentage of the program eligible expenses.

The Fund only administers the Provincial portion of the AIDA and CFIP programs and as a result, the Fund does not record any funding from the Federal Government for its portion of AIDA or CFIP. In 2003-04 the Federal Government provided a \$5 million contribution toward the provincial portion of the AIDA/CFIP program.

Saskatchewan Agricultural Stabilization Fund

Notes to the Financial Statements

As at March 31, 2005

Funding received from the Province of Saskatchewan is not considered to be externally restricted because the entities are under common control. As a result, grant revenue from the Province of Saskatchewan is recognized when the grant criteria have been met.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimated.

3. Due from Province of Saskatchewan General Revenue Fund

The New Crops Insurance Program bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan. Interest is earned on these funds at the government's thirty day borrowing rate, and is based on the fund's average daily account balance. The average of the thirty-day borrowing rate was 2.19% (2004 - 2.79%). The Province of Saskatchewan General Revenue Fund pays interest to the fund on a quarterly basis.

The AIDA-CFIP Program funds and the Canada-Saskatchewan BSE Recovery Program funds are deposited in the General Revenue Fund. Interest is not paid on these accounts.

All other amounts represent short-term receivables from the Province of Saskatchewan General Revenue Fund.

During 2004-05, the Fund repaid \$7.5 million of net financial assets AIDA-CFIP funding to the Province's General Revenue Fund.

4. Due to Government of Canada

The amount payable to the Government of Canada for AIDA/CFIP programs is contingent upon the finalization of the Herd Retention Credit amount. The Herd Retention Credit recognizes that the Province of Saskatchewan had a Herd Retention Program (HRP) that provided financial assistance to livestock Producers to relieve financial hardship caused by drought in certain regions of Saskatchewan during 2002. The Government of Canada did not cost share the HRP but the provision of the HRP by Saskatchewan did reduce the federal government's costs under the Canadian Farm Income Program (CFIP) as the HRP was considered eligible income for CFIP purposes. In 2004, the Government of Canada agreed to provide an estimated \$5 million Herd Retention Credit equivalent to its estimated savings on the CFIP program for those producers who participated in the HRP. The exact amount of the Herd Retention Credit will not be known until finalization of calculations but the Federal Government provided an estimated range for Herd Retention Credit of between \$1 million and \$5 million, and \$5 million has

been recorded in these financial statements as a reduction to the provincial liability to the Government of Canada for AIDA/CFIP programs.

5. Transfers between programs

In 2003-04 the Minister of Agriculture, Food and Rural Revitalization directed, under the authority of the Waterfowl Damage Compensation Program Regulations, that surplus amounts of \$1.8 million in the Waterfowl Damage Compensation Account be transferred and paid to the Big Game Damage Compensation Account.

6. Planned results

	Budget 2004-05 (\$000)	Actual 2004-05 (\$000)	Actual 2003-04 (\$000)
Revenue			
New Crops Insurance	300	2,170	245
Big Game Damage Compensation	800	2,672	5,782
Waterfowl Crop Damage Compensation	1,725	5,348	7,122
AIDA-CFIP	—	—	5,000
Canada-Saskatchewan BSE Recovery	—	48,821	85,746
CSAP II	—	—	3
Expenses			
New Crops Insurance	—	3,297	—
Big Game Damage Compensation	800	2,065	2,522
Waterfowl Crop Damage Compensation	1,725	5,212	4,703
AIDA-CFIP	—	740	1,314
Canada-Saskatchewan BSE Recovery	—	33,870	81,670
CSAP II	—	(1)	122

7. Fair value of financial assets and financial liabilities

The carrying amounts of all financial assets and financial liabilities approximate their fair value due to their short-term nature.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies and boards related to the Fund by virtue of common control by the Government of Saskatchewan.

The Saskatchewan Crop Insurance Corporation administers the Waterfowl Damage Compensation, New Crops Insurance, Big Game Damage Compensation, and Canada-Saskatchewan Assistance programs.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

In accordance with established government practice, the Fund has not been charged with certain occupancy, financing, administrative, and other costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

